Clause 3 in Report No. 2 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on June 28, 2018.

3
Audit Services Branch Report

Audit Committee recommends adoption of the following recommendation in the report dated May 29, 2018 from the Director, Audit Services:

1. Council receive this report for information.

Report dated May 29, 2018 from the Director, Audit Services now follows:

1. Recommendations

It is recommended that Council receive this report for information.

2. Purpose

The report provides an update on the activities of the Audit Services Branch since the last Audit Committee meeting.

The follow up audit report, Attachment 7, Tables C and D are in private as the original reports to Audit Committee were in private as they dealt with the security of property of the Region.

3. Background

On October 11, 2000 the Audit Committee approved the development of the Audit Services function through the report of the Chief Administrative Officer. The Audit Committee Charter indicates the Audit Committee is to meet at least twice a year.

4.   Analysis and Implications

Audit Plan Execution

The Audit Services Branch has been actively executing the approved 2015-2018 Four Year Audit Plan and other consulting engagements. A summary of the activities since the last Audit Committee meeting is outlined in Attachment 1.

Audit Reports Issued

The Audit Reports issued since the last Audit Committee meeting are:

- Corporate Services – Compensation and HRMS Audit Report (Attachment 2)

- Transportation Services – Fleet Services Audit Report (Attachment 3)

- Transportation Services – Materials Quality Assurance Audit Report (Attachment 4)

- Financial Services – Payroll Audit Report (Attachment 5)

- Housing York Inc. – Rent Geared to Income Audit Report (Attachment 6)

- Outstanding Audit Recommendations Follow-Up Audit Report (Attachment 7)

5.   Financial Considerations

There are no financial considerations associated with this report.

6.   Local Municipal Impact

The Audit Services Branch provides audit services to a number of the local municipalities under an Audit Services Memorandum of Understanding.

7.   Conclusion

A follow up of outstanding audit recommendations for audit reports issued prior to March 31, 2018 indicates that management remains cognisant and active in implementing Audit Services recommendations.

Audit Services continues to work with Region management at all levels to provide them with an independent, objective assurance and consulting activity designed to add value and improve the Region's operations. Audit Services does this by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes through guidance provided by the *International Standards for the Professional Practice of Internal Auditing*.

For more information on this report, please contact Paul Duggan, Director of Audit Services at 1-877-464-9675 ext. 71205.

The Senior Management Group has reviewed this report.

May 29, 2018

Attachments (7)

#8581162

Accessible formats or communication supports are available upon request

York Region
Audit Services Branch Activities

Project Name	Status
1. Corporate Services – Compensation & HRMS Audit	➢ Completed
2. Transportation Services – Fleet Services Audit	➢ Completed
3. Transportation Services – Material QA Testing Audit	➢ Completed
4. Finance – Payroll Audit	➢ Completed
5. Housing York Inc. – Rent Geared to Income Audit Report	➢ Completed
6. Follow-up Audit Report	➢ Completed
7. Corporate Services – Health and Safety Capital Projects	➢ Planning
8. Audit Risk Assessment and 2019 - 2022 Audit Plan	➢ Planning
9. Finance – Information Technology Services – Security Audit	➢ Planning
10. Application implementation review	➢ Planning
11. Forensic Investigations	➢ In progress
12. ITS Governance – Portfolio Management Committee	➢ Advisory role
13. Continuous Control Monitoring Project	➢ Ongoing
14. Audit Services for the Audit Services Memorandum of Understanding for local municipalities	➢ Ongoing

Compensation & HRMS Audit Report

November 2017

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Section   **Page No.**

1.0   Management Summary

Audit Services has completed a Compensation and Human Resource Management System (HRMS) Audit within the Corporate Services, Human Resources Branch. The focus of our review was to determine whether controls over the administration and management of the compensation program area are adequately designed to ensure compliance with and completeness of internal policies and procedures, accuracy of data in HRMS and security of compensation related information/data. In addition, Audit was requested to complete a compensation benchmarking survey of the council approved municipal comparators to gather information on compensation program best practices.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Audit.*

The scope of the audit included a review of the existing compensation related policies and procedures, interviews with compensation management and staff, review of the HRMS, including access security, and detailed testing of a sample of compensation transactions from September 1, 2016 to August 31, 2017, which included; new hires, pay for performance, and job evaluations. Audit also conducted a benchmarking survey of the Region's council approved nine municipal comparators on their compensation program structure, specific practices and policies, and supporting systems.

Based on the work Audit Services performed, it was concluded that internal controls over the management and administration of the compensation program are working satisfactory as they are currently designed; however opportunities for control improvements have been identified and discussed with management. These opportunities for improvements relate to; the development, updating and communication of policies and procedures, updating the Job Evaluation Process to include a formal non-union evaluation committee and/or a formal appeals process for both union and non-union evaluations, implementing industry best practices, and creating defined user roles and increased access security within HRMS.
It should also be noted that there were key processes identified during the audit where controls were strong and working as designed. These areas include; new hire set up, six month new hire review, pay for performance program, and change in job/temporary assignments.

Should the reader have any questions or require a more detailed understanding of the risk assessment and sampling decisions made during this audit, please contact the Director, Audit Services.

Audit Services would like to thank Human Resources Compensation and HRMS management and staff for their co-operation and assistance provided during the audit.

2.0   Introduction

Compensation is part of the Compensation, HR Technology and Analytics division within Human Resources. This area is responsible for the administration and management of the Region's compensation system within the broader HRMS (HR Management System) and through other tools. The Compensation team provides guidance to the rest of the organization in salary

administration related matters, and administers the P4P program, pay adjustments, the job evaluation tool/process and applicable supporting systems, including HRMS and performance appraisal technologies.

Job Evaluation is used to comply with Pay Equity legislation and determine compensation within the Region for both union and non-union jobs by assessing the comparative value of each job against a number of factors relating to the skill, effort, responsibility and working conditions required to perform the job. Jobs of similar value are assigned to paygrades with associated rates of pay. The Region uses a 21-factor Mercer evaluation tool for Unionized positions while a 10-factor Mercer evaluation tool is used for Non-Union roles (converted from 21-factor tool in 2014 to better align with industry best practices for job evaluations).

3.0   Objectives and Scope

AUDIT OBJECTIVES

The main objectives of this engagement were:

- To assess the adequacy of the controls over the administration of the compensation program and assess compliance with and adequacy of compensation related policies and procedures.

- To ensure employee compensation information is accurately captured and managed in HRMS, including subsequent changes related to; pay for performance, job evaluations/reclassifications, economic adjustments and collective agreement negotiated increases.

- To complete a benchmarking survey of the council approved municipal comparators on their compensation program structure, systems, and specific practices to help identify areas for potential improvement.

AUDIT SCOPE

The audit objectives were accomplished through:

1. Interviews with appropriate personnel.
2. Review of policies/procedures, and applicable regulatory requirements.
3. Detailed testing of compensation transactions for the period September 1, 2016 to August 31, 2017, including a sample of new hires, pay for performance, and job evaluations.
4. Review of systems supporting the compensation process.
5. Review and testing of other applicable/related documentation.

4.0   Detailed Observations

4.1   Policies and Procedures

Observation

The current compensation related policies are outdated and contain dated and incomplete information. Based on discussions with compensation management and a detailed review of the existing policies found on the intranet, they have not been reviewed or updated in the past twelve to fifteen years.

While some informal user-driven processing documents exist, there are no formal procedures/guidelines in place to support key compensation related policies including, but not limited to; pay for performance, job evaluation/reclassification, and acting assignments.

Recommendation

Management should review the existing compensation related policies and update or create where necessary.

Management should also develop and formally document procedures for key processes to support the policies once completed.

Management Response

Compensation is responsible for ten policies, a number of which are interconnected, and our intent is to address most of them jointly by developing a comprehensive Non-Union Compensation Policy in 2019 for implementation in 2020.

End Q2 – 2018
- Review of Compensation policies, processes and programs conducted through an external consultant.
- Determination made on two existing policies being brought under Administrative versus Council approval.

End Q4 – 2018
- Job Descriptions and Titles, Job Evaluation policies, guidelines and communications plans drafted.

End Q2 – 2019
- Job Description & Titles, Job Evaluation policies submitted for approval and assuming successful sign-off, communications plan and revised policy/program launched. This addresses job evaluation/reclassification specifically referenced in the findings.

End Q4 – 2019

- Non-Union Salary Administration policy drafted for approval, and accompanying guidelines and communications prepared

End Q2 – 2020

- Non-Union Salary Administration policy and program changes submitted for approval and assuming successful sign-off, communications plan and revised program supports and guidelines launched. This includes pay for performance and acting assignments referenced in the findings.

4.2   Job Evaluation Policy & Process

Observation

The following concerns were noted regarding the existing job evaluation policy and process;

- Job evaluations/reclassification requests are sent by the department head/manager in charge to Human Resources and are reviewed and evaluation conducted by the Compensation Specialist assigned, and then peer reviewed before results communicated. Per the current Job Evaluation Policy, dated May 2002; "*The Job Evaluation Committee will ensure that each position is evaluated in a fair, unbiased manner and that the evaluations reflect the organization's needs and values.*"   Based on discussions with compensation management, there is no Job Evaluation Committee in place for non-union job evaluations. There was a committee in the past, and there have been discussions around implementing a committee to help ensure a fair and transparent process; however this has yet to be formally decided or initiated.

- There is a lack of communication and awareness corporate wide regarding the job evaluation process. Based on discussion with Compensation staff and a review of available resources on the intranet, there is limited and outdated information on how the evaluation and reclassification process is conducted, the impact of the process/results on the organization as a whole, as well as our practices for confirming our competitive position in the market. As previously discussed, the current Job Evaluation Policy is outdated and contains information that is no longer accurate. There is often pushback received from management within the organization on results of the job evaluation/reevaluation. This push back may be a result of misunderstanding the intent of job evaluation or the lack of available information or perceived transparency in the process.

- There is currently no appeals process in place for job evaluation/reclassification results. For non-union positions, the job evaluations are conducted by the Compensation Specialist assigned and verified with a peer review, using the Mercer 10 point factor process, and communicated to the requestor once completed. As discussed above, there is often push back from management on the results of the evaluation, which can lead to results being reassessed or exceptions being made. These exceptions could ultimately cause inconsistencies and/or pay inequities within the Region. New Union positions also are initially evaluated by the assigned Compensation Specialist and then peer reviewed – once the position has been filled for 6 months, the position goes to Job Evaluation committee to finalize rating.

<u>**Recommendation**</u>

Management should review the current Job Evaluation policy and procedures and update to reflect actual practice.

Management should also consider implementing a formal Job Evaluation Committee for non-union jobs and/or a formal appeals process to ensure the process remains as fair and transparent as possible.

Once policies/procedures have been updated, management should ensure information is communicated with staff and available on the Region intranet.

<u>**Management Response**</u>

Job Evaluation applies to both Union and Non-Union – the existing policies are Non-Union only, while the Collective Agreement guides Job Evaluation for Union positions, with overlap due to a requirement for Union participation in determining if new positions are to be within the bargaining unit, and therefore which processes and tools are applied.

Non-Union:
Q2-2019
- Addressed under 4.1 recommendations - Job Evaluation is one of the policies prioritized for 2018 revision with implementation and communications in early 2019 assuming successful sign-off. Use of a non-union committee for evaluation and/or appeals to be considered in policy design and guidelines.

Union:
Q2 – 2018
- Recommendations from the program review outlined in 4.1 reviewed and any which require Union input or approval identified.

2020
- Collective bargaining is the primary method through which changes to Job Evaluation for Union could be raised and negotiated, but there is no guaranteed outcome. The current CUPE agreements expire in 2020.

4.3   Job Evaluation – Results of Detailed Testing

<u>**Observation**</u>

The following concerns were noted during the Job Evaluation detailed testing;

- The Job Information Form (JIF) was missing from most of the sample files reviewed. The purpose of the JIF is for the Manager to provide as much information on the job to be

created or revised and is to supplement the Job Description for guiding the evaluation process. The JIF includes the following; responsibilities, communication/contact expectations, qualifications, and job content.

- The evaluation record sheet that supports the Mercer 10/21 point score results was missing from most of the files reviewed. The evaluation record sheet provides the details for points scored in each category. Without the record sheet, it would be difficult to support the final point score results in each category if required.

- There are inconsistencies in the documentation contained and organized in the job evaluation files reviewed. Based on discussions with the Compensation team, there is a checklist available; however it is not always contained in the file.

Recommendation

Management should consider developing and implementing a standard Job Evaluation checklist to ensure consistency in file documentation and that all supporting documents, including the JIF and Evaluation Record Sheet, are included in the evaluation files.

Management Response

Q1-2018 - Complete.
- Existing checklist that documented activities following evaluation enhanced to capture items to be included in the official record, specifically the Evaluation Record Sheet and the Job Information Form and/or trail documenting changes to existing Job Descriptions.

4.4   *Compensation Software – Microsoft Excel*

Observation

There is a heavy reliance on Microsoft Excel for managing, tracking and reporting on key processes/outcomes within the Compensation area. The following provides an overview of two key areas;

- The Job Evaluation process is managed and tracked in Excel, including; requests, status updates, and evaluation results. Based on discussions with the Compensation team, they are researching a new software option, "JEMS", for managing the job evaluation process.

- In addition to the above, other key process areas were identified as relying heavily on Excel to manage and track information and results.

Recommendation

Management should continue to investigate alternative options to Microsoft Excel for managing and tracking key compensation programs to better help streamline processes and reduce the room for errors inherent with using excel.

Management Response

HR, in partnership with ITS and Finance, is undertaking a key initiative in 2018/2019 to review all technology currently in place and create a blueprint or roadmap for a mid to long term technology direction looking for opportunities to reduce the number of systems in use, integrate key systems, and reduce reliance on spreadsheets. Implementation of that roadmap is anticipated to span several years and require significant investment; in the meantime, JEMS (Job Evaluation Management System) is being implemented earlier replacing Excel for one core Compensation program.

End Q4 – 2018/Q1 - 2019
- JEMS - Job Evaluation record-keeping to run parallel in Excel and JEMS by year end, and if successful, will cease using Excel for new evaluations by Q1/2019 end.

End Q2 – 2019
- HR Tech Roadmap - Completion of HR Technology Roadmap which will document how various HR technologies will be maintained/replaced over mid-long term horizon. Compensation requirements to be captured in that roadmap. Pending the outcomes of that review, Excel will remain the primary tool for Compensation programs not documented elsewhere in this response.

4.5   Access Security – Human Resource Management System

Observation

The following concerns were noted regarding access security of the HRMS;

- There are no pre-defined user roles or user groups within HRMS that are tied to or linked with job codes. Based on discussions with the HRMS Specialists and Manager, there are currently thousands of different access levels and groupings/roles within HRMS. As a result of this significant volume and undefined roles, Audit was unable to perform an independent and thorough review of access security within HRMS.

- Based on a report compiled by HRMS staff during the audit, there are seventeen (17) employees who have access to update compensation rates and fourteen (14) employees who can add a new employee within HRMS. Six (6) of these employees, including benefit staff, were confirmed as not requiring access as part of their job. *Note: given the restrictions in reviewing access levels within HRMS, Audit was unable to verify the completeness or accuracy of the report information provided.*

- There is no defined process for requesting and granting employee HRMS system access. Based on discussions with HRMS staff, access is granted by either "mirroring" other employees access or granted based on the requesting manager's description of access

required. HRMS staff either copies the mirrored employee's access or sets up a new user role.

- There is not a process in place to review or remove access within HRMS when an employee transfers to a new position within the Region. Transfers are communicated to HRMS coordinators via email for adjustments to be made to compensation related information; however their current access is not reviewed.

Recommendation

Access for compensation rate changes and adding new employees should be reviewed and removed where not required as part of the employees job function.

Management should develop a policy and process for requesting and granting HRMS access and for reviewing access when there is an internal transfer. A form could be developed that links to defined user roles when requesting access. Transfers should include a check for existing access to determine if still required.

Management should develop and implement defined user roles/groupings within HRMS that should be tied to job code/functions. The existing access within HRMS should be reviewed and converted once the roles are clearly defined and developed.

Management Response

- Q4 – 2017 - Review access to Rate Changes and New Employee pages and address Internal Transfers
  - o **Completed prior to Audit findings report.**
  - o Access removed from staff as appropriate.
  - o Audits instituted to review transferred employees on a regular basis
- Q4 – 2018 - Policy and process for requesting and granting HRMS access
  - o Rather than a policy, will create a governance guideline with supporting processes/forms for PeopleSoft access to document and formalize how this core system is administered and secured.
- User Role/Grouping based security – Defer
  - o 2018/2019 HR Technology Roadmap initiative, including Finance and ITS, will be determining the future of the Region's core HR system including replace or upgrade options.
  - o As implementing this security recommendation would require a 9-12 month project with a dedicated resource (funds/resources for which are not presently available), instead design and incorporate a role-based approach to security into larger PeopleSoft upgrade/replacement project, in cooperation with ITS.
  - o Items addressed above provide additional controls as an interim solution.

4.6 Best Practices – Compensation Program

Observation

A benchmarking survey was conducted of the Regions 9 council approved comparator municipalities on their compensation program structure, specific practices/policies and systems in place to support the program. Five (5) of the comparators responded with detailed responses. *Note: the Regions council approved comparator list was last updated in 1999 and may not be the most complete or accurate representation of Region comparators. See below for further discussion.*

The following items were identified as possible areas for change or improvement within the Regions Compensation area to help better align with what is considered industry best practices amongst the comparator municipalities;

- Salary increases for acting assignments and internal promotions; The Region allows for a maximum increase of 3.5% per pay grade for internal promotions and acting assignments. The 3.5% was found to be significantly less then all five (5) comparators.

- Job evaluation maintenance review; the Region has never completed a job evaluation maintenance review. Two (2) of the five (5) comparators indicated that a complete job evaluation maintenance review is completed every 5 years. The remaining three (3) indicated they do not have a review cycle in place.

- Pay for "hot skills" and/or retention policy; the Region does not have a formal retention policy in place or a formal policy on market pay for "hot skills". Two (2) of the five (5) comparators indicated they do not have a formal Retention Policy or "hot skills" philosophy, however the hiring manager does have the discretion to pay outside of the salary range if considered necessary to attract/retain talent for a specific skill set. The remaining three (3) comparators indicated they do not have a policy in place for retention or "hot skills".

- Municipal comparator list; The Regions council approved comparator list was last updated in 1999. Two (2) of the surveyed comparators indicated that a review of the comparator list is or has been completed in the past 5 years to help ensure the best representation. The remaining three (3) were not aware of when their comparator list was developed or last reviewed.

- In addition to the above, the survey results supported previous audit findings (refer to issue *4.1 Policies and Procedures* and issue *4.2 Job Evaluation Policy and Process*).

  Four (4) of the comparators surveyed indicated they have a formal policy(s) in place that is clearly communicated to staff and easily accessible on their company intranet.
  All policies provided by the comparators and reviewed by Audit Services had been reviewed and/or updated by the comparator in the last five years.

Two (2) out of the five (5) comparators have formal Job Evaluation committees established for both union and non-union jobs. The remaining three (3) have committees for union jobs only. All five (5) comparators have a formal documented appeals process in place for job evaluation results. The appeals process is clearly communicated in the compensation policy on the intranet.

Recommendation

Management should review the above survey results and could consider the following;

- Increasing the maximum increase per pay grade for acting assignments and internal promotions to better align with industry best practices. Alternatively, a policy could be developed where increases above of the 3.5% increase per grade would be permitted at the hiring Director's discretion.

- A job evaluation maintenance review schedule.

- Develop and implement a formal Retention & Attraction Policy for "hot skills", which includes regular reviews and updates when required.

- Review and update, if required, the current municipal comparator list to ensure it includes the most accurate and representative comparator municipalities.

- As previously stated in issue 4.1 and 4.2; management should review and update all existing compensation related policies and procedures and implement a job evaluation committee and/or a formal appeals process for evaluation results.

Management Response

- Raise acting/promotion salary increase rates; hot skills; managerial discretion:
  - To be considered in the expanded Non-Union Compensation Administration policy proposed in section 4.1 as a 2019 initiative with 2020 approval and implementation.
  - Changes in hot skills approach would have union implications. Collective bargaining is the primary means by which changes can be negotiated, and the current CUPE agreement expires in 2020.
- Job Evaluation Review Schedule
  - Non-Union - Consider in the Job Description/Titles and Job Evaluation review and policy revision identified in 4.1 as a 2018/2019 initiative.
  - Union - 2020 – This recommendation requires union input as is not a provision of the existing agreement. Collective bargaining is the primary method by which changes could be raised and negotiated, though there is no guarantee of outcome. The current CUPE agreement expires in 2020.

- Comparator List
  - Complete
    - The Region's turnover rates are very low, with pay rarely being cited in Exit Survey findings. Furthermore, Mercer conducted a Market Survey in Q4 2017 as required by Council and confirmed our pay position is appropriate against our comparators.
- Compensation policies and procedures
  - Documented in 4.1 response.

Original signed by
_____

Sharon Kennedy

Executive Director, Human Resources

Original signed by
_____

Dino Basso

Commissioner – Corporate Services

Original signed by
_____

Paul Duggan

Director Audit Services

Transportation Services – Fleet Services Audit Report

December 2017

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Section **Page No.**

1.0   Management Summary

Audit Services has completed an audit of Fleet Services administered through the Transportation Services Branch.

The audit was conducted in accordance with the *Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.*

The scope of the audit included a review of the Purchasing Bylaw, Ministry of Transportation (MTO) requirements and other applicable policies and legislation, as well as the processes for the acquisition, maintenance and disposal of fleet vehicles. Additionally, we performed detailed testing on selected samples of fleet documents to determine compliance with policies and legislation.

Testing was conducted at a sufficient level of detail to allow us to evaluate Fleet Services compliance with the applicable regulations and processes.

Overall, the results of our detailed testing indicate that the Fleet Services processes operate in a manner that is in compliance with legislative requirements and Region policies and procedures.

Opportunities for internal control improvements were noted and discussed with appropriate management. Other improvements relate to the implementation of formal processes and policies, improvements to existing processes and document management and retention which would reduce potential liabilities to the Region. It should also be noted that there were key processes identified during the audit where controls were strong and working as designed. These areas include; contractor agreements for use of Region equipment, preventative maintenance and scheduling for compliance to CVOR requirements, and the process for procuring inventory and maintaining stock.

Should the reader have any questions or require a more detailed understanding of the risk assessment and sampling decisions made during this audit, please contact the Director, Audit Services.

Audit Services would like to thank staff in Fleet Services for their co-operation and assistance provided during the audit.

2.0   Introduction

As part of our Audit Plan, Audit Services performed an audit of the Transportation Services Fleet Services (Fleet Services). The Audit Plan, approved by the Audit Committee, is developed by the Audit Services Branch using a Risk Assessment Methodology that helps define the different risks associated with the various processes here at the Region. It is one tool used by Audit Services to assess where best to allocate audit resources.

The Fleet Services Branch administers the acquisition, maintenance and disposal of the Region's Roads Fleet. This includes, but is not limited to, the development of specifications for tender, maintenance scheduling, repairs, inventory management and the decommissioning of fleet related assets.

Fleet acquisition, maintenance and disposition processes are guided by the Purchasing Bylaw, Commercial Vehicle Operator's Registration (CVOR) requirements and other standards and/or guidelines. For the areas reviewed, we noted that staff had a very clear understanding of the requirements set out through legislation and policies.

Audit Services reviewed Fleet Services processes by assessing compliance to applicable legislation, and policies. Additionally, we performed detailed testing of Fleet Services documents and records.

3.0 Objectives and Scope

The main objectives of this engagement were to ensure:

- Internal controls around the acquisition, maintenance, and disposal of Transportation Services fleet effectively ensure compliance with the Purchasing Bylaw, Ministry of Transportation (MTO) requirements and other applicable policies and legislation.

- Complete, accurate, and relevant supporting documentation exists for Transportation Services fleet.

The audit objectives were accomplished through:

1. Review of the Purchasing Bylaw, Ministry of Transportation (MTO) requirements and other applicable policies and legislation.

2. Interviews with appropriate personnel.

3. Detailed testing of fleet documents to ensure adherence to policies and legislation and determine the effectiveness of internal controls.

4. Review of the processes for the acquisition, maintenance and disposal of Region fleet.

5. Review of other documentation as required.

4.0   Detailed Observations and Recommendations

4.1   Comprehensive Region Operator's Safety Manual and Other Policies Required

Observation

Fleet Services does not have a comprehensive Region Operator's Safety Manual detailing York Region requirements and personnel expectations, safe vehicle operating procedures, general operating procedures, vehicle maintenance, fueling processes and responsibilities in the event of a collision.

The existing Fleet Driver Safety policy was last updated on June 26, 2014 and addresses legislative requirements and the responsibilities and role of staff at a high level. Specific processes that should be addressed in the manual were identified in informal and outdated documents, or not at all.

We reviewed an informal fueling process document created in 2016 which details locations, operations and emergency procedures and noted that there are 3 additional Fleet Services managed fuel sites not identified. Also, this document does not address the expectations of employee use of Regional fueling stations and the ESSO Speedpass.

The Use of Transportation Services and Environmental Services Fleet Vehicles Policy last updated on April 1, 2008, outlines requirements for personal use of fleet vehicles. Discussion with staff indicates that there should not be any circumstances in which Fleet vehicles are personally used by employees.

There is no policy or manual on the applicability of snow tires for winter vehicles, which, for the most part is not necessary as most vehicles use all-terrain tires which are rated for snow. A policy would clarify this for staff.

Recommendation

Management should develop and communicate a comprehensive Operator's Safety Manual.

The Manual should address York Region requirements, defensive driving and equipment operation, vehicle collision and incident responsibilities, general operating procedures, and updated fueling procedures.

Management should consider rescinding the outdated Use of Transportation Services and Environmental Services Fleet Vehicles Policy and clarify employee expectations regarding personal use of fleet vehicles in the Manual.

A policy regarding the application of tires to fleet vehicles should be developed and communicated to staff.

Additionally, the Manual should be communicated to contractors, who may use Region equipment and fueling stations during their operations.

Management Response

Fleet Services will be developing and communicating a comprehensive Operator Safety Manual addressing Region requirements, employee drivers licensing, operating and vehicle / equipment fueling procedures for all users of Fleet units and fuel sites to be completed by Q4 2019.

Policy revisions to the Transportation and Environmental Services Fleet Vehicle policy will be addressed and incorporated into an all-inclusive document including personal use of Fleet units by Q4 2019.

A tire policy will be created and implemented addressing various duty cycles of the Fleet by Q4 2019.

4.2   Formal Process Required For Developing Bid Document Specifications

Observation

A formal process does not exist ensuring the development of specifications for bid documents to acquire fleet assets through Fleet Services.

The existing process for developing specifications has been implemented within the past year in which all specifications for bid documents are administered through the Fleet Services.

Fleet Services obtains tendered specifications for similar Region requirements via libraries available from National Institute for Public Procurement (NIGP) and the Ontario Public Buyers' Association (OPBA). A review team is assembled including department staff, Region mechanics, and any other applicable personnel which reviews each specification and makes any changes specific to the Region requirements.

We were able to review an active file to ensure this process satisfies compliance with the Purchasing Bylaw; however, previous files were unavailable for our review.

Recommendation

Management should implement a formal process to ensure all specifications developed for bid documents are administered through the Fleet Services to ensure compliance with the Purchasing Bylaw.

The process should ensure compliance to the Region Records Retention Bylaw. Each file should include a cover page summarizing the product or service being tendered and a list of personnel involved in the development and evaluation of specifications. Also included in the file should be all documentation received from the requesting department and all correspondence regarding changes to specifications throughout the process.

All specifications development files should be maintained at a centralized location within Fleet Services.

Maintaining documents relating to the purchase and disposal of assets provides evidence that specifications were developed in compliance with the Purchasing Bylaw's objective to ensure fairness, objectivity, accountability, and transparency in the procurement process.

Management Response

Management has initiated a formal process for all Fleet acquisitions ensuring consistency with specification development, right sizing, utilization and compliance with the Purchasing Bylaw across the corporation for all Fleet procurements, which will be completed in Q1 2019.

Each purchase will have a comprehensive file summarizing the purchase, tender specifications, tender evaluation and staff involved in the process. Correspondence with respect to specification changes throughout the build cycle process will be documented and tracked.

Files will be maintained in Fleet Services for each unit.

All documentation will be kept in the vehicle file for the duration of the life cycle and managed as per the Records Retention Bylaw.

4.3   Improved Field Inspection and Maintenance of Fleet Vehicles is Required

Observation

We identified 6 instances within a one-week period, in which Fleet Services identified vehicles currently in use by the Region that were in unacceptable condition and should have been out of service until repaired.

The discrepancies identified included cracked and worn tires, corroded metal components for ABS brake valves and other parts, a missing plow pin and fleet being operated in an unsafe manner creating a potential road hazard and employee safety concern.

These discrepancies expose the Region to substantial liabilities and increase the risk of failure to comply with Commercial Vehicle Operator Registration (CVOR) requirements.

Some of the identified discrepancies indicate that potential fleet equipment safety issues are not being recognized, or addressed, by field staff on a timely basis.

We noted that other comparable organizations employee a Corporate Driver Trainer Position, and the Region does not. A Driver Trainer position:

- Develops and manages training programs, as well as evaluates and supports Drivers / Operators in the use of corporate fleet vehicles.
- Conducts regular field inspections and manages risk through pro-active evaluation of equipment, training programs, and opportunities for overall continuous process improvements and compliance with legislative requirements.
- Certified by the Ministry of Transportation and may provide the additional benefit of lowered insurance premiums for the Region.

Recommendation

Management should re-communicate to staff their requirement to decommission fleet equipment when unsafe conditions are identified, until appropriate repairs are complete.

Management should create a Driver Trainer position in the next budget process.

Management Response

Fleet Safety Reminders have been implemented by Fleet and shared with staff ensuring compliance with daily vehicle / equipment inspections. Upon discovery of any vehicle / equipment defects during a daily inspection and as noted in the Highway Traffic Act under Regulation 199/07 Schedule 1 requirements, units will be deemed out of service until repairs completed.

With the recent approval of a Corporate Fleet Driver Training position this new position will ensure training programs are developed and rolled out to staff beginning in Q4 2019.

4.4   Fleet Services Access to Vehicle GPS

Observation

Fleet Services staff is responsible for monitoring and coordinating preventative maintenance; however, they do not have access to vehicle GPS which provides vehicle location and hourly usage information.

Fleet Services runs preventative maintenance reports on a bi-weekly basis and coordinates servicing to ensure that legislated annual inspection requirements are fulfilled.

Recommendation

Management should consider providing Fleet Services with access to vehicle GPS to assist in maintenance scheduling. Coordinating servicing based on usage and location assists in reducing unnecessary travel of the vehicle, labour hours, and the amount of time the vehicle is unavailable for use due to servicing.

Management Response

Management has initiated a process in which Fleet Services, in conjunction with IT and Fleet User Groups, will obtain GPS/AVL access by Q3 2018. Access will assist in acquiring vital vehicle and equipment information that will assist with Fleet planning and maintenance program scheduling.

4.5 Formal Process Required for the Review of Inventory Stock

Observation

No formal process exists to ensure the regular review of inventory stock to determine if existing stock is required or should be disposed of due to obsolescence.

A comprehensive inventory report was produced during 2017. We noted this was a one-time exercise and requirements for action were not addressed.

Obsolete inventory continues to decline in value and uses storage space in the Region warehouse.

Recommendation

A formal process should be developed requiring the semi-annual or perpetual review of inventory stock. The Fleet Manager should identify slow moving and obsolete inventory, which can be forwarded to the Director, Roads and Traffic Operations.

The Director may discuss with Finance and any other appropriate departments before providing approval to the Fleet Manager to move ahead with the auction or disposal of inventory, in accordance with the Corporate Disposal of Surplus Assets Policy

A formal process increases the value the Region is able to recover for inventory that is no longer required.

Management Response

Management has developed a formal process that includes semi-annual inventory reviews commencing in Q2 2018.

Slow moving and or obsolete inventory is being itemized and reviewed with the Director ensuring best suited option for disposal ensuring compliance with the Purchasing Bylaw and Disposal of Surplus Assets Policy.

4.6 A Centralized Process for Fleet Services is Required

Observation

The requesting department presents a business case and receives approval for the acquisition of fleet vehicles and equipment. Fleet Services involvement is limited to purchasing and registering of the vehicles for maintenance schedules.

This process creates a gap in which the requesting department is unaware of available fleet vehicles and equipment for use across the Region. This has resulted in purchases that may not be required, or being unaware of existing assets and failing to schedule proper maintenance.

Although there may be instances in which emergency purchases are made, specialized equipment may be rarely used and not require additional purchasing due to their availability in another department. Rarely used equipment also incurs on-going maintenance costs due to seizing.

Fleet Services may only become aware of existing assets purchased across the Region when they are brought in for maintenance, since they are not involved in the decision to purchase. This creates a legal liability to the Region since Fleet Services is responsible for preventative maintenance of assets.

Recommendation

Policy should require Fleet Services to be involved in any purchase of fleet assets under their jurisdiction, regardless of department. This process would ensure that the Region does not purchase equipment it does not require, and Fleet Services is aware of all existing assets to properly schedule preventative maintenance.

Additionally, Fleet Services should participate in the budgeting process for vehicles and equipment to assist in ensuring the accuracy of actual verses budgeted costs.

Management Response

Revisions to the Corporate Fleet Policy in Q4 2019 will address the following:

- o Fleet Maintenance and Replacement Fleet Lifecycle criteria for each unit type
- o Proactive approach to all New Fleet Additions / Requests ensuring best value for the corporation
- o Multi Year Vehicle and Equipment Budget Planning
- o Fleet Maintenance programs ensuring safe and reliable service delivery that reflects sound business practices

Fleet and Corporate Energy (ENV) are developing an implementation plan to increase the use of alternative fuels or hybrid vehicles to meet Corporate Green House Gas reduction targets. This plan is expected to be completed by Q1 2019.

4.7 Formal Process Improvements Required for Commissioning and Decommissioning of Assets

Observation

The existing process for commissioning and decommissioning fleet assets is informal and supporting documentation requirements are not defined.

Fleet Services has developed a commissioning and decommissioning checklist which requires sign-off by personnel responsible for each step of the process. Our review indicated that use of this checklist is not mandatory and therefore, not consistently used.

Recommendation

Management should implement a formal process requiring use of the existing checklists for the commissioning and decommissioning of assets, including a training and orientation requirement as part of the commissioning process.

The existing checklists should be reviewed to consolidate steps and require sign-off by responsible personnel.

Additionally, supporting documentation (including vehicle assets approval information) requirements should be clearly defined and each file should be stored in a centralized location in accordance with the Records Retention Bylaw.

Management Response

Existing checklists will be revised by the end of Q4 2018 improving the process required for new Fleet commissioning and surplus Fleet decommissioning.

Checklists will have responsible staff approvals along with all corresponding documentation stored in a unit file at a centralized location in accordance with the Records Retention Bylaw.

Original signed by:

Paul Jankowski
Commissioner of Transportation
Services

Original signed by:

Joseph Petrungaro
Director Roads and Traffic
Operations

Original signed by:

Paul Duggan
Director Audit Services

Transportation Services – Materials Quality Assurance Audit Report

February 2018

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1.0   Management Summary

We have completed an audit of Transportation Services – Materials Quality Assurance. Our audit was conducted in accordance with the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing.*

We have concluded that overall, there is a sufficient level of management controls over materials quality assurance on capital projects. In delivering capital projects, Transportation Services follows the Ontario Provincial Standards for Roads and Public Works (OPSS). OPSS is a joint venture between the Ministry of Transportation and the Municipal Engineers Association. It details, amongst other subjects, the necessary sampling and testing requirements for materials used on projects. These requirements help to ensure quality control and quality assurance goals for the project are understood and achieved.

During the course of our work we did note opportunities where internal controls could be improved, or new controls implemented, that would further strengthen Transportation Services' quality assurance role.   Specific opportunities include:

- Developing guidelines to assist in developing materials testing budgets.

- Developing a more detailed structure for the safe keeping of project testing documentation.

- Collecting the quality management plan and quality control plan from the contractor.

These opportunities are further discussed in the Detailed Observations section of this report. These observations have been discussed with management who has agreed to the observations and recommendations.

Audit Services attended four project sites to observe concrete pouring and asphalt paving. While at the sites we noted that all the materials quality testing results from this activity indicated the materials being used would achieve the Region's requirements.

We also noted that Transportation Services is currently working towards a more detailed meeting agenda for poured concrete and laid asphalt. This helps to ensure all parties are equally informed of construction activity.

For materials testing on minor capital projects Transportation Services uses a listing of prequalified laboratories, and for each major capital project a separate Request For Tender is issued. All laboratories are required to be Canadian Council of Independent Laboratories (CCIL) certified.

Should the reader have any questions or require a more detailed understanding of the risk assessment and sampling decisions made during this audit, please contact the Director, Audit Services.

Audit Services would like to thank staff in Transportation Services for their co-operation and assistance provided during the audit.

2.0   Introduction

The Region's Transportation Services is responsible for the planning and delivery of capital and rehabilitation projects including engineering, environmental assessments, preliminary and detail design, electrical design and construction activities.

The five year capital budget (2018 – 2022) for road rehabilitation, replacement and growth is estimated to be $435.17 million.

To deliver major and minor capital projects, Transportation Services subscribes to OPSS. OPSS was originally created as a provincial standard for construction projects and includes quality assurance and quality control requirements and the parties responsible. Today, OPSS is divided into three sections: Municipal & Provincial Common, Provincial-Oriented and Municipal-Oriented. Of the three units, the Municipal-Oriented section is the least prescriptive regarding quality assurance and quality control materials testing.

To help ensure construction activities achieve specifications, OPSS stipulates quality assurance and quality control testing measures. OPSS defines Quality Assurance as a "system or series of activities carried out by the Owner to ensure that materials received from the Contractor meet specified requirements". Quality Control is defined as a "system or series of activities carried out by the Contractor to ensure that materials supplied to the Owner meet the specified requirements".

Materials testing performed by the Region at project sites is supplied by consultants and laboratories that have been prequalified as having all the necessary certifications to perform the work. For example, laboratories must be certified by the Canadian Council of Independent Laboratories (CCIL) and have appropriately accredited personnel on staff.

3.0   Objectives and Scope

AUDIT OBJECTIVES

The objectives of this engagement are to:
- Determine the process used to help ensure that the materials used on Roads capital projects are of sufficient quality to meet the Region's requirements.
- Determine what tests are performed on the materials used in a capital project and how the number of tests required is derived.
- Determine if the necessary documentary evidence of testing is sufficient and readily available should the need arise.

AUDIT SCOPE

The audit objectives will be accomplished through:

1. Interviews with those individuals responsible for developing materials standards for the Region, and, those individuals responsible in ensuring that only materials of acceptable quality are used in Roads capital projects.
2. An analysis of documentation relevant to the capital project materials quality assurance process.
3. A review of documentation for materials quality assurance testing for a sample of current capital projects.
4. Attendance at a sample of work sites to observe the collection of materials for testing and follow up of the results of those tests.

4.0   Detailed Observations

4.1   Quality Management Plans and Quality Control Plans should be requested from the contractor before commencement of the project

Observation

The Region does not currently request the contractor's Quality Management Plan and Quality Control Plan before commencement of the project.

The Quality Management Plan includes quality management at the plant, mix information, placing, curing, etc. of materials. The Quality Control Plan includes the planning of the quality control objectives by the contractor. It should define sampling and testing frequency and how their plan will adhere to contract specifications.

The Region is responsible for the project's quality assurance. As per the Canadian Standards Association (CSA) A23.1-14, part of the quality assurance responsibilities should be to understand the quality control activities for materials to be used for the project. It assists the Region in ensuring that a reasonable amount of quality control testing will be occurring.

Recommendation

Transportation Services should request the contractor's Quality Management Plan and Quality Control Plan before commencing capital projects. The plans should be reviewed and understood. Formal feedback should be provided to the contractor for clarifications as a result of the review.

Management Response

Agree. Wording will be added to the template agenda document for Pre-Construction Meetings to request these be submitted by the contractor and to note that feedback will be provided. Completion Q4 2018.

4.2   Review of quality assurance and quality control documents should be recorded and the documents stored on the project server site on a more timely basis

Observation

A review of testing documentation for five completed capital projects highlighted that:
- Evidence of review by the reviewer is not documented.
- Documentation for two projects had not yet been saved to the appropriate project file on the Region's server. Files were either held offsite or in emails. This practice is an ongoing concern noted in a previous audit.

Recommendation

Review of testing documentation should be recorded to help ensure any problems worth noting are brought forward for resolution.

To avoid paper and email files from being improperly stored or accidently deleted, all quality assurance and quality control files should be saved to the appropriate folders on the Region's server on a timely basis.

Management Response

Recommendation 1: Agree. A staff review form or log will be developed to document that all submitted testing documentation has been reviewed. Completion Q4 2018.

Recommendation 2: Agree. YR TRN is starting the process of implementing a complete electronic Contract Management System, and electronic submission and filing of testing documentation will be included in that project. Completion Q2 2019.

4.3   Detailed guidelines should be developed by Transportation Services to assist Contract Administrators in determining budget and individual financial project estimates for materials testing

Observation

Through discussion with staff, Audit Services noted that there are no detailed planning guidelines for Contract Administrators to help determine the budget for materials quality testing.

Discussion noted that budgets are currently being developed using a combination of:

- A percentage of the materials cost as per the budget; and,

- 'Provisional' testing that might be required due to circumstances such as unfavourable soil conditions. Provisional type requirements rely heavily on past experience.

Recommendation

Transportation Services should develop an SOP guideline to assist in determining the level of materials quality testing for capital delivery projects. Budgets should be based on a plan of anticipated requirements based on the work.

Management Response

Agree. SOP Guideline to be developed. Completion Q4 2018.

4.4 **SPAR & SPAR Lite, a project lifecycle methodology used to manage project portfolios, should be updated by Transportation Services to include details for the types of testing documents collected, naming of directories for storage and periodic review by management.**

<u>**Observation**</u>

A review of SPAR and SPAR Lite document and retention requirements do not include:

- The types of quality assurance and quality control documents that should be collected;
- Guidance as how to structure directories to include these documents;
- Timelines to have documents scanned and stored online; and,
- Periodic reviews by management.

Without these guidelines, project quality testing documents may become difficult to locate if required.

<u>**Recommendation**</u>

SPAR and SPAR Lite should be updated to provide more detailed guidance to staff as to the correct storage of quality testing documents in order to create more uniformity in project management document filing for retention purposes.

Periodic management review of these files should also be performed to help ensure the documents are being collected and stored online on a timely basis.

<u>**Management Response**</u>

Recommendation 1: Agree. SPAR and SPAR Lite will be updated to provide guidance on proper storage of testing documentation. Completion Q4 2018

Recommendation 2: Implemented. Current project processes includes management sign-off of, among other items, completeness of project files at end-of-construction project milestone.

4.5 **Transportation Services should continue to develop more detailed concrete pre-pour and asphalt pre-paving meeting agendas**

<u>**Observation**</u>

The Region is currently developing detailed concrete pre-pour and asphalt pre-paving meeting agendas to guide these meetings with the contractor. Detailed meetings help ensure correct materials specifications are used and materials quality testing results meet contract requirements.

<u>**Recommendation**</u>

Transportation Services should continue to develop detailed pre-pour and pre-pave meeting agendas that will help ensure all parties understand their roles and expectations.

Management Response

Agree. Implemented . Pre-pour and pre-pave meeting agendas were completed and added to the SPAR and SPAR Lite methodologies in January 2018

Original signed by

Brian Titherington

Director, Transportation and Infrastructure Planning

Original signed by

Salim Alibhai

Director, Capital Planning and Delivery

Original signed by

Paul Jankowski

Commissioner, Transportation Services

Original signed by

Paul Duggan

Director, Audit Services

Payroll Audit

February 2018

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1.0   Management Summary

Audit Services has completed an audit of York Region's Payroll unit within the Finance department. The focus of our review was to determine whether controls are in place and adequately designed to ensure that the Payroll unit's operations are properly managed to minimize related risks and exposures. The review of Payroll operations included:

- Policies and procedures
- Payroll transactions
- Canada Revenue Agency (CRA) remittances
- Business continuity planning
- Security of records
- Segregation of duties
- Fraud risk

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing.*

The information used in the audit was collected through detailed review of internal policies and procedures, analysis of employee data in the Human Resources Management System (HRMS) and PeopleSoft payroll records, on-site visits and discussions with Payroll staff and management, physical review of select pay run files, and detailed testing of select payroll transactions.

Based on the audit work performed, internal controls over Payroll operations are adequate. Overall, Payroll staff and management are knowledgeable, responsive, and effectively administer the Region's payroll function with respect to CRA deductions and remittances, accuracy of transactions and records, compliance with policies and procedures, and security of information. In addition, the audit found no evidence of fraudulent employee data or transactions.

Opportunities for improvement of internal controls and processes were identified and recommendations have been made in the areas of segregation of duties, the business continuity plan and communication of information between Human Resources and Payroll. These recommendations are included in this report under Section 4 Detailed Observations.

A draft copy of this report has been discussed with Payroll management, who have provided us with their comments and who have agreed to take the necessary action to implement the recommendations.

Should the reader have any questions or require a more detailed understanding of the risk assessment and sampling decisions made during this audit, please contact the Director, Audit Services.

Audit Services would like to thank Payroll staff and management for their co-operation and assistance provided during the audit.

2.0   Introduction

The York Region Payroll unit's mission is to provide reliable, responsive, and timely service in support of the Region's compensation, benefits, payroll tax and reporting services. The department consists of a Manager and six staff who processed almost $600m in gross salaries and wages in 2017.

Payroll is processed bi-weekly in PeopleSoft using timesheet data pulled from the Time and Labour module and hourly rate information from the Human Resources Management System (HRMS). In addition, Payroll staff regularly process ad hoc corrections and adjustments to Time and Labour data as requests are received from management.

The Region is divided into seven distinct pay groups for Payroll purposes: RGN (corporate), TAW (Transportation and Environmental Services), LTC (Long Term Care), RPD (York Region Rapid Transit Corporation), EMS (Paramedic and Senior Services), PHS (Public Health), and POL (York Regional Police). Payroll for each of these groups is processed bi-weekly on an alternating weekly schedule, with approximately half of the pay groups paid in one week and the remainder paid in the following week. Responsibility for processing of pay runs for each pay group rotates among the Payroll staff each week, with final review and approval performed by the Manager, Payroll Services and the Director, Strategy and Transformation.

3.0   Objectives and Scope

The audit included an assessment of Payroll data and operations as they existed at the time of audit fieldwork and a review of pay run files from January 01, 2016 through January 31, 2018.

The main objectives of this engagement were to ensure that:

- Payroll policies and procedures are adequately designed and executed to provide accurate, timely service and minimize the risk of error and fraud in areas including:
    - Adjustments
    - New hires
    - Terminations
    - Segregation of duties
- Payroll deductions and remittances are processed in accordance with CRA requirements.
- Payroll records are adequately secured and accessible by authorized staff only.
- A comprehensive business continuity plan is in place.
- The Region's employee database in HRMS does not contain records that may result in inappropriate or fraudulent payroll disbursements.

The audit objectives were accomplished through:

1. Site visits and interviews with appropriate personnel.
2. Review of policies/procedures, and applicable regulatory requirements.
3. Use of data analytics software to identify anomalies in employee and payroll data.
4. Detailed testing of select pay run files.
5. Review of recent CRA assessment results and related Payroll documentation.

The scope of the audit excluded York Regional Police Services.

4.0 Detailed Observations

4.1 *Segregation of Duties*

Observation

Appropriate segregation of duties is vital to mitigate the risk of error and potentially fraudulent activity. Where resource limitations restrict a department's ability to fully segregate incompatible duties, compensating controls such as an enhanced management oversight and approvals process may be implemented to achieve the risk mitigation objective.

During the audit it was noted that two of the six Payroll staff have immediate family members who work for the Region. As at the time of fieldwork, these two Payroll employees were regularly processing payroll for the departments in which their respective family members are employed, with no additional oversight measures performed to compensate for the insufficient segregation of duties.

Recommendation

Management should ensure that Payroll staff do not process the payroll for those departments in which they have an immediate family member. If existing resources do not allow for these responsibilities to be appropriately segregated, management should develop and implement an effective compensating control.

Management Response

Completed.

Management recognizes the importance of establishing and maintaining adequate controls over the payroll process. In an ideal environment, Payroll Coordinators should not be processing payroll for those departments in which they have an immediate family member (immediate as defined by the Region's collective agreement with CUPE 905). However, given resource constraints, this situation is not entirely avoidable; as a result, effective compensating controls have been developed and form part of Payroll's existing practices.

Existing compensating controls include rotating each payroll group (department) amongst the Payroll Coordinators, such that the exposure to processing a family member's payroll is limited to at most once every 3 pays. Additionally, the Payroll Coordinator that processes a particular payroll group does not transmit instructions to the bank; instead, another Coordinator creates the payment file and submits it to the bank for processing. This provides another layer of review, as well as establishing segregation of duties between processing and payment.

As an additional measure starting in 2018, in instances where a Payroll Coordinator processes the pay of a family member, a different, non-related Coordinator reviews the pay of the family member and flags it for the Payroll Manager. The Manager then reviews the flagged item and signs off on it prior to payment. The Manager will also request members of the Payroll team to identify existing family relationships within the organization on an annual basis and will corroborate information with HR Services, which requests such disclosures upon employee hire.

The Finance Department will also look to strengthen the Payroll team and consider resource additions as part of the 2019 budget process.

4.2   *Business Continuity Plan*

Observation

A formal business continuity plan (BCP) that is complete, regularly updated, and communicated to the appropriate individuals may help an organization continue to meet its critical objectives in the event of an unexpected disruption to normal operations. The Region's corporate Policy No. 6246138, implemented in 2015, provides the mandate and criteria for development and maintenance of an effective BCP process.

The Payroll unit's BCP was prepared using the Finance department's consolidated Business Impact Analysis (BIA) and includes key contacts, instructions, and checklists to be completed in each phase of an event.

The Payroll unit has also prepared two complete sets of "Payroll-in-a-Box". Each box is a portable size and contains instructions and key documents for processing payroll in the event of an evacuation from the Payroll unit's normal place of business.

The following observations were noted during the audit:

- The Payroll unit's BCP is incomplete and contains outdated information. For example:
    - The document includes references to employees who are no longer employed by the Region
    - The approval date is blank in the header of the document
    - There is no field in which the approver's name would appear
    - There is no field in which to record dates of amendments/reviews/updates
    - The Controllership Office is shown as the relevant branch in the header of the document. However, Payroll currently falls under the Strategy and Transformation branch. Accordingly, the Plan Owner indicated on the document is no longer accurate.
    - The document states that the BIA is attached as Appendix A and provides instructions for use of the BIA in conjunction with the BCP during an event. However, the BCP that was provided to Audit by Payroll did not include the BIA, which had to be obtained separately from the Business Planning unit within Finance.
    - The document states that the key contact list (Appendix B) as well as the BCP document itself "…must be available in electronic form…". However, Audit received a photocopy of the BCP only; when Audit requested an electronic copy, we were informed that the whereabouts of the original electronic version are unknown and the Payroll BCP currently exists in a binder as a paper copy only.

- Both sets of the "Payroll-in-a-Box" are physically located in the Payroll unit's office space at the Administrative Centre. If there was a sudden, unforeseen evacuation of the Administrative Centre, the possibility exists that the boxes may be left behind and

rendered inaccessible for an extended period of time. Based on discussion with management, offsite storage of the boxes at the Tannery building was considered at one point, but no action was taken due to concerns over physical security of the boxes at this location.

Recommendation

Management should:

a) Ensure that the Payroll Business Continuity Plan is brought up to date, is approved by the appropriate senior management, includes all required appendices, is available in both paper and electronic form, and reviewed/updated on a regular basis.

b) Explore opportunities to move at least one of the two Payroll-in-a-Box sets to a secure location outside of the Administrative Centre, and implement regular review procedures to ensure that all sets remain secured with restricted access and are kept current with update-to-date instructions and documents.

Management Response

Management recognizes the importance of ensuring business continuity for such a critical function within the organization. Payroll Management has undertaken a review of the unit's existing Business Continuity Plan and is in the process of updating and strengthening the plan based on feedback from internal audit, line departments and the Region's emergency management team. Management anticipates Commissioner approval of the updated plan by Q3 2018. An electronic copy of the business continuity plan will be maintained, and it will be reviewed and updated, as required, on an annual basis.

Management has also identified an appropriate site at the Region's Tannery offices to hold one copy of the "Payroll-in-a-Box". Electronic copies of the "Payroll-in-a-Box" contents, as well as the Business Continuity Plan, will also be stored on an encrypted USB drive, with one copy being held in the Region's bank safety deposit box (accessible by either the Commissioner of Finance or the Director of Strategy and Transformation) and the other with the Manager of Payroll Services. The Manager will ensure all documentation found in the "Payroll in a Box" and on the encrypted USB drives are updated on a yearly basis as part of the review of the Business Continuity Plan.

4.3   *Communication of Employee Information*

Observation

During standard audit testing of payroll processing for terminated employees, it was noted that one employee in the test sample was overpaid sick benefits for several months prior to the employee's termination in March 2017. Based on discussions with staff and management from Payroll and the Human Resources Branch's Employee Health Unit (EHU) and a review of related documents, the overpayment occurred due to lapses in procedures and communications.

During this review, EHU management informed Audit that steps have been taken to identify overpayments that occurred in recent years, determine how they happened, and pursue resolution. As a result, the EHU has been leading a process improvement initiative directed specifically at overpayments. This initiative is intended to include key branches across the organization, including Payroll, in an effort to identify areas for improvement and mitigate the risk of overpayments going forward.

Recommendation

Payroll management should take an active role in those process improvement initiatives undertaken by Human Resources (HR) that may ultimately impact Payroll's operations and objectives and work with HR to improve the flow of information in a timely manner. Payroll's contribution to these efforts may help to improve interdepartmental communications, allow both Payroll and HR to better understand the impact of their operations on one another, mitigate the risk of continued overpayments and assist with the achievement of overall organizational objectives.

Management Response

Completed.

Payroll Management recognizes the important linkage between Payroll Services and HR Services and values the collaborative relationship between the two groups. Payroll Management supports initiatives to improve processes and information flow and is willing to take an active role in efforts being undertaken by HR Services. In particular, Payroll Management is currently participating in an initiative being led by HR Services to review overpayments, as well as focus groups to inform HR processes and business partnership model. The Payroll team looks forward to continuing to work with HR Services and other departments on strengthening and modernizing business processes, including payroll.

Original signed by

Bill Hughes

Commissioner, Finance and Regional Treasurer

Original signed by

Joseph Silva

Director, Strategy and Transformation

Original signed by

Paul Duggan

Director, Audit Services

Rent Geared to Income – Housing York Inc. Audit Report

March 2018

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Section **Page No.**

1.0   Management Summary

Audit Services has completed an audit of the Rent Geared to Income (RGI) program within Housing York Inc. The focus of the review was to ensure that rent charged to tenants is accurate, validated every 12 months and is in compliance with legislative requirements under the Social Housing Reform Act and Ontario Regulations. The audit scope included reviewing a sample of tenant files to ensure that RGI certification was completed annually; calculations were correctly performed and were substantiated with appropriate and required documentation.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing.*

Based on the work Audit Services performed, it was concluded that overall RGI calculations are in compliance with legislation and the internal controls over the administration of the RGI program are effective as they are currently designed. Opportunities for control improvements have been noted and discussed in the body of this report. These opportunities include the documenting and updating of internal procedures and the Housing York intranet site, implementing a quality control review process for south client files, and to review/update where required, the annual income documentation requirements and ensure missing documentation is tracked and followed up on where necessary.

It should also be noted that there were key areas identified during the audit where controls were strong and working as designed. These areas include; the quality control file review in the Newmarket office, rent calculation accuracy, and client file organization and documentation.

Should the reader have any questions or require a more detailed understanding of the risk assessment and sampling decisions made during this audit, please contact the Director, Audit Services.

Audit Services would like to thank Housing York Inc. staff and management for their co-operation and assistance provided during the audit.

2.0   Introduction

York Region administers and funds subsidized housing in all nine area municipalities, giving individuals, families and seniors with low- to moderate-incomes the opportunity to rent a home at a subsidized rent.

Housing York Inc. (HYI), York Region's housing corporation, was established in 2003 and includes 35 housing properties, over 4000 tenants and nearly 2,600 units.   HYI offers both market rent, rates are based on current rates in the private market, and subsidized rent for those that qualify. Rent geared to income is typically calculated as 30 percent of a household's total gross income and is reviewed annually through the annual subsidy renewal process.

3.0 Objectives and Scope

AUDIT OBJECTIVES

The objectives of this engagement were to ensure:

- Compliance with the Housing Services Act in the administration of the RGI program
- Tenant files are reviewed every 12 months and adjusted accordingly
- RGI rent is correctly calculated and tracked in the Yardi system
- All requested/required documentation is obtained and supports income verification
- Overdue accounts are reviewed and managed accordingly

AUDIT SCOPE

The audit objectives were accomplished through:

- Discussions with management and staff on controls and processes,

- Detailed review and testing of 50 RGI tenant files,

- Detailed review and discussion of tenant arrears,

- Review of the Housing Services Act, Social Housing Rent-Geared-to Income Guide and applicable legislation

4.0 Detailed Observations

4.1 Policies and Procedures

Observation

There are limited documented internal policies and procedures supporting the administration of the RGI program. There is an online course document from the Ontario Nonprofit Housing Association that provides background information on the RGI program under the Housing Act, however this a guideline resource only and does not address internal processes. A formal consolidated internal RGI manual would help ensure regulatory compliance and consistency where local rules have been implemented.

Recommendation

Management should update and develop, where necessary, internal procedures to support the administration of the RGI program. Internal policies should support the regulatory requirements and clearly define local rules where applicable.

Management Response
Agreed.
The RGI program is provincially legislated and the province has not updated the RGI guide since 2010, likely because the 2011 provincial Long-Term Affordable Housing Strategy committed to simplifying RGI calculations. The 2016 Long-Term Affordable Housing Strategy further committed to transitioning to a new income assessment program, harmonized with other Provincial programs. Provincial consultation and research on simplified RGI is in progress. Investment in the creation of a comprehensive RGI manual is deferred pending Provincial direction on RGI simplification.

Management will work with the Region as Service Manager to review internal policies and procedures to support appropriate implementation of existing local rules, with completion expected in Q4 2019.

4.2 Quality Control Review – South Office

Observation

There is currently a lack in quality control review of the south RGI client files. A quality control review process was put in place in 2011 with the Senior Tenant Services Representative assigned this responsibility.

In 2013, the south office opened in Richmond Hill with all southern RGI client files relocated to this building. The quality control review was performed on site in the South office for the first few years, however ceased sometime in 2015.

Recommendation

Management should re instate a quality control review process at the south office to help ensure accuracy in RGI calculations, and consistency between the two offices and RGI files.

Management Response

Agreed.
Management will update quality control review processes to ensure inclusion of south office files in Q4 of 2018.

4.3   Results of Detailed Testing

Observation

The following observations were noted during our detailed testing of fifty (50) RGI tenant files;

- Twelve (12) out of the fifty (50) files reviewed were missing the required documentation to support the annual income verification. The majority of the missing documentation was the Notice of Assessment (NofA) and T1 general (T1), with a few missing bank statements. RGI tenants are requested to provide bank statements, income tax NofA and T1 on an annual basis as part of the renewal verification process. The requested information, as stated in the "Annual Subsidy Renewal" letter, is a local derived rule implemented by Housing York Inc.   Based on discussions with the Manager Operations Housing, the requirement to provide tax information is under review as they do not like to evict or switch clients to market rent solely as a result of missing tax documents.

- There is not a clearly defined process for following up on missing documentation for the annual subsidy renewal. As discussed above, the majority of the missing documentation is tax related and based on discussions with the Senior Services Tenant Representative, Analysts will make a note of the missing documentation and attempt follow up, however there isn't a formal process for tracking or following up on this documentation.

- One (1) out of the fifty (50) files reviewed contained an error in the rent calculation, which resulted in a shortfall in rent paid of $60 per month, for a total of $720 in 2017.

Recommendation

Management should review the current annual income verification documentation that is required by the Region and update/change where determined necessary.

Management should implement a clearly defined follow up process for missing documentation. This should be included in the internal procedures, *see issue 4.1 Policies & Procedures.*

Management should follow up on the missing documentation identified during the audit testing to ensure compliance with current requirements.

Management should ensure the identified error in the rent calculation is corrected with rent adjusted/collected accordingly.

Management Response

Agreed
a) Management will work the Region as Service Manager to clarify the circumstances in which documentation collection requirements may be waived at the housing provider's discretion (for example, income tax forms could waived for tenants with stable income verified through other documentation.), with completion expected in Q4 2019
b) Management will ensure that RGI calculations completed without all required documentation note that the requirement has been waived in accordance with the provisions established by the Service Manager in action a).
c) Management will follow up on the missing documentation identified during the audit testing. Outstanding income tax documentation not required to verify the accuracy of the RGI calculation will be requested at the tenant's next regularly scheduled review (completion Q2 2019). Any documentation required to verify the accuracy of the current RGI calculation will be requested in Q4 2018.
d) The identified error in rent calculation has been corrected and a notice of rent adjustment issued to the affected tenant.

Original signed by	*Original signed by*
Katherine Chislett	**Rick Farrell**
Commissioner, Community & Health Services	**General Manager, Housing**
Original signed by	*Original signed by*
Kerry Hobbs	**Paul Duggan**
Director, Housing Operations	**Director, Audit Services**

Outstanding Audit Recommendations Follow-Up Audit Report

June 2018

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Section   **Page No.**

1.0   Management Summary

Audit Services has completed a follow up of outstanding audit recommendations at March 31, 2018. These recommendations are comprised of:

1. Audit recommendations that were noted as 'not yet completed' in our previous outstanding audit recommendations follow up audit report dated January 2018.

2. Any new audit report recommendations presented at the January 2018 meeting of the York Region Audit Committee.

There were 48 audit recommendations originally issued through the eight audit reports currently on our list for follow up. Management has implemented 71% of these recommendations.

For this outstanding audit recommendations follow up, there was one 'private' audit report with outstanding audit recommendations requiring update.

For a detailed summary of audit reports followed up and recommendations issued, completed and outstanding, please refer to section 4.0. Additional detail is available upon request from the Director, Audit Services*.*

Our follow up was conducted in accordance with the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing Standard 2500 – Monitoring Progress*:

>*The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.*
>>*2500.A1 – The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.*

2.0   Introduction

As part of our 2015 - 2018 Audit Plan, which accommodates various types of audit projects, consulting engagements, and follow up requests from Audit Committee and Management, the Audit Services Branch performed a follow up of outstanding audit recommendations. These recommendations included those noted as outstanding in our Outstanding Audit Recommendations Follow-Up Report dated January 2018, and all new recommendations issued in audit reports reported to Audit Committee in their last meeting in January 2018.

The Audit Plan, approved by York Region's (the Region's) Audit Committee, is developed annually by the Audit Services Branch using a Risk Assessment Methodology that helps to define the different risks associated with the various processes here at the Region. It is one tool that Audit Services uses in assessing where best to allocate audit resources.

On a semi-annual basis, Audit Services updates the Region's Audit Committee and the Chief Administrative Officer (CAO) on the status of issued audit recommendations. To provide this update, Audit Services contacts Commissioners and Directors to confirm the status of the issued recommendation(s) relating to their area. In some cases, the status is further validated directly by Audit Services through discussions and / or detailed testing. This is an integral part of our audit process that allows us to confirm that the opportunities for improvement outlined in the audit report(s) has (have) been implemented.

Department heads were e-mailed requests containing:

1. A request to provide a status update and a confirmation of the original due date for implementation of the recommendation, or a new anticipated implementation date if necessary.

2. A summary of outstanding audit recommendation(s) for their area. The Commissioner and Director responsible for the implementation of the recommendation(s) are also requested to sign off on the updated document.

3. As requested by Audit Committee in November 2008, departments having an audit recommendation outstanding that has an original due date older than one year provide Audit Committee with a separate report as to why the recommendation has not been implemented. Management action plans that detail what is being done to implement the recommendation(s) are to be included.

Audit reports presented at the June 2018 meeting of the York Region Audit Committee will be followed up at the next Audit Committee meeting.

3.0   Objectives and Scope

The objective for this engagement was:

- To provide feedback to the Region's Audit Committee and CAO as to the disposition of issued audit recommendations.

The audit scope to accomplish this objective was:

- All outstanding audit recommendations issued prior to and including those presented at the January 2018 meeting of the York Region Audit Committee.

4.0   Detailed Observations and Recommendations

**4.1   Detail Summary Responses and Statistics for Outstanding Audit
Recommendations Followed Up**

- Table A summarizes the outstanding audit recommendations followed up for this review.

- Table B is a detailed summary of outstanding audit recommendations which were followed up for this review.

- PRIVATE: Table C summarizes the private outstanding audit recommendations followed up for this review.

- PRIVATE: Table D is a detailed summary of private outstanding audit recommendations which were followed up for this review.

TABLE A – Summary of Outstanding Audit Recommendations Follow up as at March 31, 2018

Audit Report	Number of opportunities originally highlighted	Completed for 9/30/17	Completed for 3/31/18	Not yet complete	% Not yet complete	Date of Audit Report	Date Reported to Audit Committee
ES – Operation Maintenance and Monitoring	11	8	1	2	18%	Dec-15	Feb-16
FN – Accounts Payable & Procurement	6	5	0	1	17%	Apr-16	Jun-16
CHS – Housing Capital Repairs	5	3	1	1	20%	Jul-16	Oct-16
ES – MRF Contract Compliance	3	2	0	1	33%	Jul-16	Oct-16
ES – Capital Delivery Process	6	5	1	0	0%	Nov-16	Feb-17
FN – Procurement Card	2	0	1	1	50%	Feb-17	Jun-17
CS – Realty Services	5	0	2	3	60%	Aug-17	Jan-18
CS – Property Services Building Security	10	0	5	5	50%	Sept-16	Jan-18
Totals	48	23	11	14	29%		

TABLE B – Summary of Outstanding Audit Recommendations as at March 31, 2018

Audit Report	Recommendation	Management response	Original due date	Current due date
Environmental Services – Operations Maintenance & Monitoring	4.1 OMM work with IAM to resolve the noted asset inventory discrepancies.	In 2018 a project will commence to align existing facilities to the Section 21 Standard. Effective end of April 2018, all capital projects will also be using this standard when facilities are built or upgraded. The project to align existing facilities with the standard will start with tagging assets at the Holland Landing SPS. This initial project will help to determine the effort and time required to both physically tag all facilities in OMM and update MAXIMO accordingly following the Section 21 standard. A Migration Plan is currently being developed (2018) that will outline how the standard will be integrated with MAXIMO and will create a work plan and schedule for tagging future assets and updating existing assets.	Q4 2019	Q4 2019
	OMM continue updating the protocol used to identify assets needed to be entered into MAXIMO from an asset maintenance perspective.	Done.	N/A	N/A
	4.2 OMM continue with the implementation of an input screen to help in updating the MAXIMO inventory	Done.	N/A	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	base whenever it changes. OMM should also perform a full inventory of all their MAXIMO assets to establish a baseline of actual assets within each facility.	In 2018 a project will commence to align existing facilities to the Section 21 Standard. Effective end of April 2018, all capital projects will also be using this standard when facilities are built or upgraded. The project to align existing facilities with the standard will start with tagging assets at the Holland Landing SPS. This initial project will help to determine the effort and time required to both physically tag all facilities in OMM and update MAXIMO accordingly following the Section 21 standard. A Migration Plan is currently being developed (2018) that will outline how the standard will be integrated with MXIMO and will create a work plan and schedule for tagging future assets and updating existing assets.	Q4 2019	Q4 2019
	OMM should develop and implement annual inventory verification routines that spot check an acceptable level of asset inventory using 'book to floor' and 'floor to book' asset verification.	Done.	N/A	N/A
	4.3 Spare parts inventory program create detailed plans and process flows to help ensure that management controls over the inventory are sufficient.	Done.	N/A	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	4.4 The backlog listing should be reviewed: 1. To determine which codes are required and who may require them. 2. Reiterate to all MAXIMO users the proper protocols for entering a Level code, with particular attention to Level 5 codes. 3. Reiterate to all MAXIMO users the importance of descriptions to help schedule work order assignment to mechanics and electricians. 4. Reiterate to all MAXIMO users the importance of timely resolution of the work-order in MAXIMO. 5. Determine the required work necessary to complete this work order.	Done.	N/A	N/A
	4.5 OMM management should reconsider the value being provided by the tablets. The connectivity fee should be terminated immediately. The 36 tablets noted could be reassigned where they will be used or sold to recover any residual value.	Done.	N/A	N/A
	4.6 For some types of work orders, predominantly level 1 thru 4, a triage system should be piloted to determine if tradespersons could be more effectively and efficiently dispatched to perform their work.	Done.	N/A	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	4.7 OMM management should continue constructing and finalizing an input page to be used by tradespersons in the field.	Done.	N/A	N/A
	4.8 Consultants contracted to provide complete and accurate asset information should be held accountable for incomplete and erroneous asset information.	Done.	N/A	N/A
	Explore the possibility to recoup the cost of having to review and correct any new asset information entered by consultants.	Done. Section 21 of the design guidelines has put in place the framework to manage both installed assets and those involved with ongoing expansion or upgrade projects to prevent similar issues from occurring. All incomplete and erroneous asset information was corrected by the consultant contracted to do this work at no additional cost beyond the original cost of the contract.	N/A	N/A
	4.9 OMM management ensure that any future contracts issued for tender follow the Surety Bond Policy and associated procedures.	Done.	N/A	N/A
	4.10 A current, blanket COI should be collected by Finance – Insurance & Risk for the contractor	Done.	N/A	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	executing the diesel generator maintenance.			
	4.11 OMM management should arrange for preventative maintenance to be performed on the portable diesel generators as per the contract with the contractor responsible for this work. Missing documentation should be investigated and collected to help ensure that all equipment is being maintained as per the standards followed.	Done.	N/A	N/A
Finance – A/P & Procurements	4.1 Consider implementing a stamp for departments to use for invoice approval / general ledger coding. Reiterate to staff the requirement for segregation of duties between purchase commitment and payment authority.	Done.	N/A	N/A
	4.2 Tender Bid Request Form is updated to clarify the requirement for advertising in the DCN. Consider implementation of an electronic procurement filing system to reduce likelihood of misplacing key documents, and, create a more consistent standard file set-up.	Done.	N/A	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	4.3 A formal process be developed to ensure compliance with the policy of annual reviews of designated authorities. Department heads perform annual review of the designated approval authorities and report results to Finance for updates.	Done.	N/A	N/A
	4.4 Compare all NSA forms to purchasing course training records. Where the course has not been attended, a deadline established for attendance. If not attended, the NSA form should be revoked. NSA form should include the requirement for attendance to the purchasing training course and employee statement that the course was attended or attendance has been scheduled.	Done.	N/A	N/A
	4.5 Authorization of Payment of Goods and Services Policy is updated to clarify approval limits for Project Managers, include the segregation of duties between purchase commitment and payment approval.	Done.	N/A	N/A
	Purchasing Tool Kit be updated to clearly identify the requirement for a purchase order for purchases above a specified dollar limit.	The Procurement Without a Purchase Order Guideline has been developed to assist staff in identifying the circumstances that warrant the	Q3 2017	Q2 2018

Audit Report	Recommendation	Management response	Original due date	Current due date
		issuance of a Purchase Order. The Guideline is currently under review by Legal and Audit Services and is expected to be finalized before the end of Q2. Once the Guideline has been finalized, the Purchasing Toolkit will be updated to include a link to this Guideline, and the Authorization for Payment of Goods and Services Policy will be revised to incorporate the Guidelines as a reference document.		
	4.6 Perform a thorough review of the purchase orders identified as having errors and omissions and correct them in the system. Perform an annual review of unused purchase orders beyond a certain age to identify instances where invoices are being processed without being applied to a purchase order or directly to a general ledger account.	Done.	N/A	N/A
CHS - Housing Capital Repairs	4.1 Management should: • Review contract requirements to ensure Schedule C and Schedule A are completed • Implement a process to ensure these and other contract requirements are completed	Done.	N/A	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	4.2 Management should: • Ensure that interest is calculated, tracked and reported annually to housing providers	Done.	N/A	N/A
	• Move forward with the development and implementation of the integrated Housing Solutions software	Development completion planned for Q2 2018. Implementation to begin Q3 2018.	Q3 2018	Q3 2018
	4.3 Management develop and implement formal policies and procedures for the administration of the loan program. This program should include interest tracking and management.	Done.	N/A	N/A
	4.4 Management should: • Ensure housing providers selection process is in compliance with the provincial requirements for future programs • Develop / implement a formal process to ensure the reporting requirements for provincial flow through fund programs are met and in compliance with the Transfer Payment Agreement • Consider drafting a tenant waiver agreement to ensure access to the required electrical billing and usage data • Ensure the draft agreement with housing	Done.	N/A	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	providers captures the applicable reporting requirements and consider including a clause in the agreement to grant Region access to electrical information on their behalf • Determine the frequency of collecting this data			
	4.5 Management should develop a formal policy and process document for the administration of the government flow through funding programs.	Done.	N/A	N/A
Environmental Services – MRF Contract Compliance	4.1 Subsequent revisions to the operating agreement require 30 days written notice of cancellation to coincide with the standard insurance requirements for the Region.	The MRF contract with Miller Waste Systems does not expire until 2020. On target for Q3 2020.	Q3 2020	Q3 2020
	4.2 To assist the Region in ensuring the facility is operating in compliance with the operating agreement: • Include a three month rolling average for rear-load compaction tonnage to the spreadsheet used to monitor gate-to-gate times, loading times, and rear-load compaction. This would help in timely identification if minimum tonnage is not being achieved, or trending unfavourably. • Update the monthly averages spreadsheet to	Done.	N/A	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	document reasons for unfavourable variances. Historical references can assist in identifying and correcting any future unfavourable variances. • Implementation of a checklist for use by cleaning personnel to ensure all items are performed as per the operating agreement and documented.			
	4.3 The Contractor submits completed and signed due diligence questionnaires with their monthly invoices for applicable buyers that month.	Done.	N/A	N/A
Environmental Services – Capital Delivery Process	4.1 A process should be implemented in the capital delivery process to ensure that insurance certificates are project specific and fulfill RFP requirements.	Done.	N/A	N/A
	4.2 A formal project document tracking sheet should be developed and included with each project file to help ensure that the locations of critical documents can be determined if necessary.	Done.	N/A	N/A
	4.3 Management review documentation requirements in the capital delivery process for opportunities to eliminate redundancies.	Done.	N/A	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	4.4 Management continue to complete the lessons learned for capital projects and transfer this data into the Historical Information and Lessons Learned (or applicable database) in a timely manner.	Done.	N/A	N/A
	4.5 Management should develop and require the use of a standard template for actively monitoring purchase order and change order costs to assist project managers in identifying and correcting any issues in a timely manner.	Done.	N/A	N/A
	4.6 Management implement a formal ongoing audit process that identifies and assesses compliance with the current Capital Delivery Process.	Done. A formal audit process is complete and implemented. It will be continually improved as required.	N/A	N/A
Finance - Procurement Card	4.1 Management should ensure the P-Card Policy is formally approved by Council. Once approved, management should ensure the P-Card procedures are finalized and formally communicated to staff.	Done. The Purchasing Card (P-Card) policy was approved by Council in April 2017, and procedures for P-Card use (as outlined in the P-card Guideline) were finalized in March 2018. Information was communicated to staff through e-mail circulation and more broadly through York Beat. The policy and the guideline are available on the staff intranet portal.	N/A	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	4.2 Management should continue to automate the P-Card process to improve the control environment and increase efficiencies where possible, including the automation of the monthly reconciliation and approval process. Management could consider procuring an external consultant for assistance in the development and implementation of the automation process where internal resources are limited.	In-Progress and On-Target for Q4 2018 Completion An electronic tool to facilitate on-line requests and approvals for Purchasing Card (P-Card) issuance and amendments was developed and rolled out to staff in 2017. As part of the Source to Settlement business process review and improvement initiative, a technology solution that automates the reconciliation and approval of P-Card expenses is currently being developed. The solution will include capabilities for digital imaging of receipts and electronic workflow for approvals. An external firm was procured in early 2018 to develop the solution, which is expected to be completed and fully rolled out by the end of 2018.	Q4 2018	Q4 2018
Corporate Services – Realty Services	4.1 Due to the growth of the Realty Services Branch and increasing volume of acquisitions since the last policy review, Management should review both policies to ensure that definitions, descriptions, policies and procedures remain relevant and up to date.	Done. The Sale and Disposition of Land Policy was approved at the April 12, 2018 session of Committee of the Whole, and will be considered for final approval at the April 19, 2018 Regional Council meeting. (Audit Services' Note: Regional Council approval was obtained April 19, 2018) Done.	N/A N/A	N/A N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
		Legal Services and Property Services reviewed the Corporate Land Acquisition Policy and determined that there were sufficient items to warrant a policy update. A Regional Council report is anticipated in Q1 2019.		
	4.2 To help ensure the fairness, objectivity, accountability and transparency of the procurement process, management should complete a formal Request for Pre-Qualification through the Procurement Office to develop a roster of qualified appraisers.	Work on the RFP has begun. The RFP will be issued in Q3 2018. With vendors secured by year end.	Q3 2018	Q3 2018
	4.3 Management should identify critical documents and develop a consistent process for maintaining acquisition files. For example, each file should include a checklist of critical documents to ensure consistency in file maintenance. Management should consider monitoring completion dates for each step of the acquisition process from negotiations to CAO and Council approval.	Staff has developed a structure for maintaining both hard copies and electronic records. A list of documents was created and categorized based on various criteria (legal documents, correspondence, reports prepared by consultants, etc.). Roll out to staff Q2 2018, full implementation for new files Q3 2018.	Q3 2018	Q3 2018
	4.4 Since the LTM system is an interim solution being replaced in the near future, we recommend that management ensure the following internal controls are implemented in the MasterWorks system:			

Audit Report	Recommendation	Management response	Original due date	Current due date
	• Specific read-only and editing access rights based on job requirements	Done. Incorporated into new system (MasterWorks).	N/A	N/A
	• Comprehensive audit trail with all editing history available	Done The MasterWorks System Administrator in PSB can provide an audit trail for all modifications to records. Staff was trained in Q1 2018.	N/A	N/A
	• Formal policies and training communicated to all staff requiring use of the system.	Done. Training and guidelines for use of system to be rolled out in Q4, 2017.	N/A	N/A
	4.5 The accrued interest spreadsheet produced by the Realty Services Branch should be produced and communicated to all clients. Management should develop a formal process for monitoring and recording long-term accrued interest, including determining at which point aged acquisitions should be removed from project costs and transferred to a corporate program.	The land acquisitions liabilities tracking system was implemented as part of the new MasterWorks system in December 2017. Tracking of VIVA liabilities is now possible, and tracking for all departments will be implemented by Q2 2018 when the data has been uploaded into the system. A system generated report on land acquisition liabilities will be shared with each department and Controllership Office on an annual basis.	Q2 2018	Q2 2018
	Establishing a formal process ensures that all accrued interest on outstanding acquisitions is accurately recorded and monitored. This will be important as the Transportation Master Plan	To ensure effective recording and monitoring of land acquisition liabilities and related interest, Controllership Office will establish a documented process to record these liabilities	Q3 2018	Q3 2018

Audit Report	Recommendation	Management response	Original due date	Current due date
	identifies an increased travel demand in York Region by about 60% by 2041. To support the increased demand, the Region has planned for capital projects, VIVA rapidways, and road widening, therefore, increasing the volume of acquisitions.	corporately in Q3 2018. Further, Property Services and Controllership Office considered audit's recommendation to establish a corporate program to manage aged acquisitions, and determined that this approach would not be advantageous at this time as: • There is minimal efficiencies gained as Departments are still required to review and agree to the liabilities, • Funding may be incorrect as sources are varied depending on the type of project (i.e. growth vs. non-growth, program area), and • The new Controllership responsibilities described earlier will allow oversight and early warning on potential issues. Property Services continues to engage with stakeholders and a meeting with the Departments to gain their perspective on the matter will happen later in Q2 2018.		
Corporate Services – Property Services Building Security	4.1 PSB management should create and present a business case as part of the 2019 budget process for the development of an in-house security management team capability to manage York Region's security efforts.	The consultants work is underway and scheduled to be completed in Q3 2018. Any recommendation regarding staffing will be included in the budget process.	Q1 2018	Q3 2018
	4.2			

Audit Report	Recommendation	Management response	Original due date	Current due date
	The 3rd party monitoring of Region buildings is an ongoing program with approximately $63,000 being spent annually. A request for tender or proposal should be issued and a service level agreement obtained for the vendor(s).	An RFPQ to prequalify vendors will be issued by the end of Q2 2018, and RFT by the end of Q3 2018, and vendor will be selected by Q4 2018.	Q2 2018	Q4 2018
	4.3 A To help ensure key inventories are kept accurate and secure, PSB management should develop formal inventory processes for each key type. B PSB management should also consider the costs / benefits of deploying the KeyWatcher program to help house and control 'regular' keys at all or some of the Region's office building. C Written processes for the creation, use and eventual destruction of security cards should be created.	Done.	N/A	N/A
	4.4 PSB management should develop a report and run the report periodically, i.e. monthly or quarterly, to note offices where the alarm is not being armed on a regular basis. Inquiry as to why an office is not arming the alarm on a regular basis should be made to address any issues as to why the alarm cannot be set, or schedule additional training to reinforce the importance of arming at the end of the day.	Done.	N/A	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	4.5 PSB management should update the Security Policy to include at least: • All offices; • Site specific instructions as hyperlinks to documents to explain the various aspects of the security system; • Contact information; and, • Any other information deemed necessary.	The Security Master Plan will be completed by the end of Q3 2018 and will incorporate Security Policies, Post Orders and Security Standards.	Q2 2018	Q3 2018
	4.6 <u>9060 Jane St</u> • PSB management provide on-going training and reminders to staff to keep vigilant of non-employees making their way onto the upper floors without escorts.	Done. Temporary: On-going reminders are being sent to all of 9060 Jane ST staff via Property Services Helpdesk. Permanent: Capital Delivery & Engineering is constructing a secure elevator lobby / vestibule on the ground floor. The vestibule is constructed out of glass and will require card access to enter. Security can view the vestibule as an added safety measure. The vestibule will be constructed by the end of Q3 2018.	N/A	N/A
	<u>220 High View – Mount Albert South ET, Wells 1 & 2</u> • PSB management work with Environmental Services to develop a guideline or design standard for fencing, and determine if fencing is in order at this site.	Security Consultant, ENV and Property Services to formalize a recommendation regarding fencing of Water Facilities by Q3 2018.	Q1 2018	Q3 2018

Audit Report	Recommendation	Management response	Original due date	Current due date
	<u>620 Bayview Pkwy</u> • PSB management should revisit the decision to not install CCTV at this facility. This facility should be as secure as other publically accessible Regional offices. <u>Other</u> • Property Services work with Environmental Services to create a conditional approach to alarm notifications giving weight as to the type of condition and the time of day. In some cases, it could be prudent for YRP to attend the site before an Environmental Services employee.	Done. The work is ongoing between the Security Consultant and Corporate Security.	N/A Q3 2018	N/A Q3 2018
	4.7 PSB management should: 1. Ensure that proper documentation is included with all invoice payment requests, i.e. commission report for new installations. 2. Ensure that all Notification of Signing Authority forms are reviewed for completeness and accuracy on an annual basis. 3. For Alfa Security Solutions maintenance and parts contracts, authority to purchase goods and services should not be extended to contractor employees. Work or purchase of parts must be	Done.	N/A	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	approved by authorized Regional employees. This information should be formally shared with Alfa Security Solutions. 4. Ensure that Alfa Security Solutions provides the Region with the name of the person requesting the work and performing any maintenance work on the service report. 5. Ensure the required police screening is provided by the contractor as per the contract.			
	4.8 PSB management should ensure that the vendor follows the contract terms and provide service reports and consolidated invoices.	1. Done. 2. Done. 3. Property Services has consulted with Legal Services on amending the existing agreement. 4. Done.	N/A N/A Q1 2018 N/A	N/A N/A Q3 2018 N/A
	4.9 PSB management should ensure that a formal centralized inventory that includes new and reclaimed Europlex parts be established and maintained. This would include: • Identifying who removed the part and on which job the part was used. This can be subsequently verified to a work order or invoice. • Housing the inventory in a more secure fashion,	Done. Property Services has implemented these changes in January, 2017. 1. All parts are fully tested prior to being put into inventory. 2. A sign off and release process has been created. 3. All parts are bubble wrapped, inventoried, and kept in designated containers in a	N/A	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	i.e. locking lids.	space with security access only.		
	4.10 Security Guard contract PSB management ensures that all interviews and screening process is completed to help ensure proper aptitude and demeanor in line with Region expectations prior to assignment.	Done. In Q1 2018, Property Services increased security guard screening beyond management's original response. Only security guards that obtained YRP clearance are employed in York Region Facilities. Property Services conducts interviews with key contracted staff to ensure that their aptitude and demeanor are in line with the Region's expectations prior to assignment. Key contracted staff is: the Team Lead and Supervisor positions. Due to the number of security guards' assigned, the frequent turn-over and limited responsibilities of front line security guards, it is not feasible to interview all front line security guards. Clarification will be included in future contracts to only interview Key contracted staff.	N/A	N/A
	Honeywell contract PSB management should ensure that security clearances are performed.	Done. Property Services will obtain security clearance checks and vulnerable sector screening from all Honeywell and Alfa Security employees and their sub-contractors who are or will be	N/A	N/A

Audit Report	Recommendation	Management response	Original due date	Current due date
	Alfa Security Solutions PSB management should ensure the proper police screening is performed.	engaged in providing services for the Region. The anticipated delivery date is Q1, 2018.		